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HOW FAR SHOULD FAMILY WEALTH BE ENCOURAGED AND CONSERVED?

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It is understood that this question refers to the encouragement of the accumulation of wealth by the family and to its security, by means of efforts exerted outside of the family—individual efforts, the efforts of associations of individuals, and even of the state.

Hence the discussion seems to invite an examination of some fundamental principles of economics, of politics, and ultimately of biology. Anything of this sort is too large a proposition for this paper, and the endeavor will be mostly to follow lines along which we may not be radically at odds, even though some of us may be state socialists and others individualists and still others occupying various positions between the two extremes.

Why should a family want wealth beyond what is merely sufficient to provide for necessities and comforts? What is called civilization answers the question. There is a minimum standard of living of varying descriptions which, society insists, should be maintained, and this not solely for the betterment of the individual as an individual, nor mostly so, but for his betterment as a member of society and because of the general social elevation in civilization promoted by that of the individual. So society has a legitimate interest in the welfare of every member and in raising the standard of living. Family income, and wealth, too, are closely related to its welfare.

DISTRIBUTION OF WEALTH

In this country, family wealth exists on a high general level, yet inequalities of wealth-distribution are enormous. It seems probable that one-half of the families are almost without wealth, their possessions being mostly confined to household and personal belongings and the implements required by their occupations.

Among the 19,000,000 families there are millions whose property of the descriptions indicated is worth less than \$500, and some millions of these, worth less than \$200. That is wealth, not income.

Fifteen years ago, favored by exceptional opportunities for exploring the subject of wealth-distribution in ownership, the writer ventured to indicate its character in arithmetical terms. In the meantime great changes have taken place—the multiplication and increase of great fortunes, the accumulation of minor fortunes so common as to fail to attract attention; and, at the other extreme, increasing tenancy of the home, both on the farm and in the town and city, and the continued building-up of the great class of low-wage receivers.

Between these two extremes, another class has been building, what is called the middle class, containing about one-half of the total number of families, and among these the farmers have gained conspicuously. Since 1890 the value of farm capital, including land value, has increased 75 per cent., a gain of three-fourths in 18 years, partly due, however, to extension of cultivated area by new farms.

What the resultant fact of all these diverse movements of the last 18 years upon the character of wealth-distribution is can only be inferred, but it seems probable that inequality has increased. The reference is not to the increased gap between the very poor and the very rich, but to inequality, mathematically expressed so as to measure the effect of the acquisition of say \$10,000,000 by one family, and the acquisition of the same amount by 2,000 families at \$5,000 each.

It is probably not the growth of large fortunes alone that has caused the increasing inequality of wealth distribution, for there is some indication of a larger hopelessly poor class. We may differ as to the reasons for the existence of this class, but at any rate we shall have to consider among the causes environment, occupation, heredity, and many social efforts to preserve the unfit and enable them to continue their kind.

So it seems probable that the writer's old statement of wealth-distribution made for the conditions of 1890 would not make the

case worse than it is if applied to the present time. The statement was that

about 19 per cent. of the wealth is owned by the poorer families that own farms and homes without incumbrance, and that these are 28 per cent. of all of the families. Only 8 per cent. of the wealth is owned by tenant families and the poorer class of those that own their farms and homes under incumbrance, and these together constitute 63 per cent. of all families. As little as 4 per cent. of the nation's wealth is owned by 52 per cent. of the families, that is, by the tenants alone. Finally, 4,047 families possess about seven-tenths as much as do 11,560,293 families.

The purpose in quoting this is to call attention to the large fraction of the families that are poor, really poor; it is about one-half. It is still to be remembered that the subject is wealth, not income.

The probate statistics of Massachusetts afford further light on distribution. If the estates are classified according to amount and the classes are arranged in order of amount in columns, the number of estates and the total amount of wealth in each class, some interesting observations can be made.

The distribution tended to become more even from 1830 to 1860, but more uneven from 1860 to 1890. Analysis localizes this feature. At the extremes of the scale—in the poor and in the rich—the distribution becomes more uneven. On the contrary, within the middle class, distribution becomes more even.

Any general plan to encourage family wealth would encounter a situation, it would seem, in which wealth-distribution is becoming more uneven and in which there is an ample quantity of material to work upon. In one of the richest states, Massachusetts, the inventoried probated estates valued at less than \$500 are 15 per cent. of the total and those valued at less than \$1,000 are 27 per cent.; while, in the whole United States, perhaps one-half of the families may be regarded as poor in accumulated wealth.

CAUSES OF THIS DISTRIBUTION

Some understanding of the causes of the present deficient distribution of wealth and of the large fractions of the poor and very poor, may guide our efforts to encourage family wealth, or possibly prevent some of them. Wealth is accumulated out of

wealth produced, primarily in the division of the product between labor and capital, and subsequently in the transfer of this wealth from one place and person to another. The process of wealth-accumulation works mostly in favor of the capitalist. If the working-man accumulates much wealth, it is because he has become also a capitalist and mostly because of returns to his capital, either in interest, or rent paid by real-estate tenants, or in unearned increment to land value, or in pure profit.

Years ago the *New York Tribune* ascertained the sources of the fortunes of all of the reputed millionaires of this country. The results were unavoidably imperfect, but after all they roughly indicated the facts. Over 4 per cent. of the millionaires became such through logging and lumbering, nearly 7 per cent. through mining, and 65 per cent., more or less through increase of land value. All instances in which there is a trace of labor as a source of wealth, and these are confined to the professional kinds, may be segregated. They form but 3 per cent. of the total and in all cases the accumulation out of salaries and fees is qualified by the explanation that these were invested in real estate or other property returning interest and pure profit.

It is possible for a skilled mechanic with wife but no children, abstaining from alcoholic liquors and tobacco and nearly all unproductive expenditures, to accumulate in twenty-five years of good health, unremitting industry, parsimony, and compounding of interest on savings, enough income-returning property to sustain his widow in comfort. This is possible, because it has been done, but the man who did it was a marked man, and he had no children, either to render his feat impossible or to preserve his characteristics for future social good.

Savings banks are often referred to in popular writings as having deposits composed entirely or mostly of the savings of working-people and of the poor. This is a wide-spread fallacy in a large degree. The Massachusetts Bureau of Statistics of Labor, years ago, investigated this subject to ascertain the extent to which working-people were taking advantage of savings institutions, but these people were conspicuously few.

Although working-people may constitute a considerable frac-

tion of depositors, their aggregate deposits are comparatively small and the fact is that these banks are more properly investment institutions than savings banks. A man could be mentioned who had \$2,000 in each of twenty savings banks in Massachusetts, and his case was exceptional only in degree. These banks did for him what they did for nearly all depositors—they performed solely the function of an expert investment agent.

Wealth is unevenly distributed because, partly, savings out of wages and salaries play a very small part indeed in comparison with savings out of returns to capital. Then why do not wage and salary receivers strive to build up an income-returning capital? The answer may be given in many forms—circumstances, psychology, defective heredity, public opinion and policy, restrictive, repressive, or subdivided competition, and the social atmosphere.

As we in this country live and as we are agreed that we should live, there is little to be had out of wages and salaries for conversion into income-bearing capital, if a man has wife and children to provide for. The wage-earner is subject to causes that weaken his saving power, both in periods of industrial depression and in times called prosperous. In times of depression he suffers for want of employment and in times of great activity in production, cost of living has increased in a greater degree than wages have. There is a popular inversion of this latter fact due to a misunderstanding of the annual reports of the United States Bureau of Labor concerning wages and retail prices of food.

From 1890 to the latest year, the Bureau has established a series of index numbers standing for relative weekly wage-earnings per employee, and another series representing relative retail prices of food, weighted according to family consumption.

Then, another series of index numbers has been computed to merge the former two into one; that is, to express the purchasing power of full-time weekly earnings per employee measured by retail prices of food weighted according to family consumption. This series of combined index numbers is the decisive one in the matter of wages and cost of food, but it is doubtful that it has attracted the attention of one newspaper writer throughout the

length and breadth of the land, and the result is that there is a general misrepresentation of this conclusion of the Bureau of Labor.

The fact is this: The purchasing power of wage-earnings in terms of food from 1890 to 1907 was lowest in 1893, in May of which year a long and severe industrial depression burst upon the country. The purchasing power increased during the period of depression and was highest in 1896, the last year of the depression, and next to the highest in the following year, since which time there was decrease, with oscillations.

The general fact established is that the purchasing power of wage-earnings in terms of food-consumption was on a higher level in the so-called prosperous times of 1897 to 1907 than in the similar sort of times in 1890 to 1892; but also that the working-man's earnings bought more food in the period of depression from 1895 to 1897 than in the preceding fat years for capital; and, again, in the years 1896 and 1897 bought more food than in the periods of great expansion that followed.

It clearly appears that wage-rates are less responsive to elevating and depressing influences than food-prices are.

If the Bureau of Labor's index numbers of weekly wage-earnings are computed into purchasing power of all commodities as shown by Bradstreet's index numbers, the results are of the same sort as those above mentioned, but more boldly expressed than when applied to the prices of food alone.

In the case of all commodities, the purchasing power of wages is conspicuously high in the period of low industrial activity from 1894 to 1898 and decidedly low in the following years of expansion.

The time when productive capital "makes money" is when prices rise faster than wages do; the favorable time for wage and salary earners and persons with fixed or nearly fixed incomes is the period of depression, except in so far as want of employment may reduce wage-earnings.

Attention should be directed to an apparent exception in recent years in the case of the wages of farm labor. There seems to be small mobility and less versatility in the labor of the city man;

but the country man will go to the city and turn his hand to almost anything. If he does not become a conductor on a street car, he will prepare to become the president of the company in a few years; he will operate a delivery wagon, or become a merchant, or a telephone lineman, or a banker, and so on with a long list of occupations. The demand for labor in town and city, increasing from 1897 at an apparent gain over country labor in real wage-earnings, although not properly so in fact since they were only wage-rates, tended to deplete the country of agricultural labor, and the consequent increase of farm wages was greater in degree than the increase in the prices of all commodities. From 1895 to 1906 these prices increased 35.8 per cent., while the wages of farm labor by the month for the year or season without board increased 38.4 per cent. and with board 41.4 per cent.; wages by the day in harvest without board increased 46.5 per cent. and with board 55.4 per cent.; and the wages of ordinary labor by the day without board increased 55.6 per cent. and with board 61.3 per cent. The prices of all commodities increased only 35.8 per cent.

The examination of the causes of low wealth-accumulation by the many may be continued. There is occupation. In 1900, twenty-nine million persons had gainful occupations and a very large fraction of these had occupations of low productivity of wealth or of small personal or professional service—at any rate regarded as low or small on pay day. There were over four and one-half million agricultural laborers, 112,000 clergymen, nearly half a million teachers, nearly three million undescribed laborers, 386,000 persons doing work of washerwomen, more than one and one-half million servants; many soldiers, sailors, and marines, boatmen, hostlers, messengers, porters, and so on; and more than half a million dressmakers and seamstresses, nearly two-thirds of a million clerks and copyists, and about the same number of salesmen and saleswomen.

The unskilled, and poorly remunerative, occupations gave employment to probably more than one-half of all persons having gainful occupations.

What fraction of the persons having gainful occupations shall

be assigned to those who are employed under wages or salary? Years ago, the writer worked at this question for all censuses in which occupations were sufficiently described, and it seems probable that the fraction of the employed is increasing.

The question was subsequently propounded to a statistical office in Washington several years ago and a man very competent to answer the question arrived at a percentage differing by about 3 and he did not know that the writer had worked on the problem. The conclusions were 65 and 68 per cent.; that is to say, these are the wage and salary receivers.

Analyze the population of all ages and observe how small a fraction is fitted or disposed, or is in a position, to accumulate wealth after maintaining a family and the required standard of living. The negroes are 11.6 per cent., the foreign-born whites 13.5 per cent., the native white females 36.7 per cent., and the native white males under 30 years of age, 25.2 per cent. Of course there is no sweeping generalization that all of these classes cannot be and are not wealth-accumulators in some degree.

After an allowance of one-half of 1 per cent. for Mongolians and Indians, there remains the chief wealth-acquiring class—the native white males 30 years old and over who constitute only 12.5 per cent. of the population; and how many of these must be rejected as even possible wealth-accumulators?

Still further may be considered the subject of the obstacles to wealth-accumulation. Bradstreet's agency has a record of the failures among nearly a million and a half persons, firms, and corporations engaged in business in the United States. From 1899 to 1907, the mean percentage of annual failure was 0.78 of 1 per cent.; somewhat under 1 in each 100 is the yearly business death-rate.

Unfitness of various descriptions accounts for most of the failures—incompetence for 23 per cent. of them in 1907, inexperience for 5 per cent., lack of capital for 37 per cent., unwise credits for 2 per cent., extravagance for 1 per cent., neglect for 2½ per cent., speculation for 1 per cent., and fraud for 10 per cent. In all, more than four-fifths of the failures were because the responsible persons were not qualified to manage and con-

serve the capital employed; and yet 90 per cent. of the failures had a capital of less than \$5,000.

There are social elements not qualified, or not disposed, to produce enough wealth to afford any surplus as a family possession, or if qualified and favorably disposed to produce the wealth, not disposed to save a surplus away from consumption and expenditure. There is the army of the lazy, another army of the mentally incapable, and the many with criminal natures, the sick, weak, and deformed, the degenerates, the atavists, and the spend-thrifts. It requires a mighty good inheritance to enable a man to subordinate present satisfactions to future good and greater future satisfactions; and so income disappears in present consumption.

The wastefulness of our people is a world-wide byword. We have been supplied so prodigally that habits of economy and saving have not been forced upon us. To the Chinese we must seem to have taken hardly our first lesson in getting the greatest utility out of things. All this is destructive to saving out of income.

A cord of wood delivered in a cellar in Washington costs \$8, and the same cord delivered in little bundles in the kitchen, one at a time, costs \$20. As an untried proposition, the cord would cost only two-fifths of the bundles, but upon trying it there will often be found an unexpected factor. When buying by the cord and having an abundance of wood on hand, it is burned unnecessarily and so wastefully that two and one-half cords will not last as long as one cord delivered by the little bundle.

Two pounds of sugar in a single purchase may last as long as five pounds do in kitchen experience. An exhibition of a plentiful supply of butter, soap, and other things will incite the cook and laundress to a riot of waste.

These are illustrations of a widespread and prevalent waste, found not only among servants, but perhaps among your next friends.

So it is often found that the most economical way to live in affairs of the kitchen, where about one-half of the working-man's income is consumed, is the costly one of small purchases at the

highest prices, instead of large quantities at wholesale prices. Experience of a similar general nature with a wide range of application is very common in American life.

Now, take the families that are able to accumulate some wealth for investment. How many of them in 100 can invest it so as to keep it from getting away? And how many, or better how few, are competent to use their savings as productive capital and conserve it? The fractions of the competent in these cases are small. A majority of men can work for others better than for themselves; only exceedingly small fractions are organizers and managers even on a small scale.

A few words must be said about income, or there may be some false impressions derived from what has been said about wealth-distribution and the large element of the poor. A family may be poor—that is, have little or no wealth but personal and household belongings and the implements of occupation—and still have a good-sized income. The family may prefer to raise the level of its living and expense to the height of the income rather than to keep the living and expense down and let a surplus remain for building up the stock of family wealth. This is the favorite policy in the United States. The preference is to raise high the standard of living and expense and let the comparatively few provide the nation's capital.

So when we observe the general appearance of well-being throughout the land, the inference is that wealth is well distributed; and, on the other hand, when we are confronted with the probable distribution in fact, we are horrified at the dreadful condition of humanity that it is assumed to indicate.

It is time to put the brakes on our unproductive consumption. Much of this is of no benefit to the family and some of it is detrimental. This topic needs considerable time for its treatment and only a general protest can be entered here. With a reduction of this sort of consumption, there would be available for building up the family wealth, a portion of family income that is now practically wasted.

ENCOURAGEMENT

From whence shall a family get its encouragement? Shall it be from the state? Shall the state treat the family as a child, enforce saving, invest its wealth, guarantee the deposits, establish postal savings banks, the solvency of which will be protected by the wealth of the nation? These questions need not be answered in the affirmative until great social necessity requires such answers, and need not receive consideration at all until self-help, with neighborly encouragement, has failed.

In the meantime degrading conditions should receive attention. Not from the point of view of social welfare, but from that of social preservation, it may be demanded of the state that it shall remove such conditions. This is justification of such legislation as that for improving tenement houses and the conditions of labor in them.

There are many things that we cannot do, or at any rate, will not undertake to do, unless associated with others. By means of co-operation the building and loan association provides loans to its members and at the same time stimulates family savings. Co-operative investment of capital in small contributions by many persons will establish and sustain a co-operative store, or a co-operative laundry, or a co-operative coal yard, or a co-operative printing office, or a co-operative milk-buying and delivery service. The field for economic co-operation is very large, and it may be carried on in many directions.

Co-operation has been enormously developed by farmers in this country and successfully established, and it is working in favor of accumulating the wealth of farmers' families and of conserving it. The magnitude of this movement deserves some words, because of the demonstrations that it presents. Eight or nine years ago, there were obtained from 35,000 crop correspondents of the United States Department of Agriculture, representing all of the townships of the country, the names of the farmers' co-operative economic organizations, and afterward statements of their business were obtained. One who has kept in touch with this co-operative movement of the farmers during the intervening years may risk the statements that follow.

Farmers' economic co-operation in the United States has developed enormously, and it is safe to say that at the present time more than one-half of the 6,100,000 farms are represented in economic co-operation; the fraction is much larger if it is based on the total number of medium and better sorts of farmers, to which the co-operators mostly belong.

The most prominent object of co-operation is property insurance, in which about 2,000 associations have probably 2,000,000 members. This kind of insurance costs the farmers only a few cents per hundred dollars of risk above the actual losses.

The co-operative creameries number more than 1,900, and the cheese factories about 260, the membership of the two classes being very large and representing an immense number of cows.

With the exception of insurance, the greatest success in the farmers' co-operative movement is in selling. Associations to regulate, promote, and manage the details of selling the products of co-operating farmers are found in all parts of the United States. There is co-operation for selling by fruit growers, vegetable growers, nut growers, berry growers; by live-stock men, by the producers of cotton and tobacco, wheat, sweet potatoes, flax, oats, eggs, poultry, and honey. Farmers co-operate to sell milk for city supply, to sell wool, cantaloupes, celery, cauliflower, citrus fruits, apples, and so on with a long list.

Co-operative buying is conducted by about 350 stores in this country, a majority of which are mostly owned by farmers. This is chiefly the result of a very recent movement. Another form of co-operation for buying is based on the discount plan, as carried on by the granges, farmers' clubs, and various other associations of farmers with co-operative buying as either a primary or secondary object. Things bought in this way are all sorts of store goods: potatoes, wheat, etc., for seed; coal and wood; and a great variety of farm and family supplies.

Warehousing is conducted by farmers on the co-operative plan with success, particularly for the storage of wheat and corn. A co-operative cotton-warehousing movement is of recent date.

Co-operative telephone service has permeated vast regions,

and the co-operative feature has kept the expense at the lowest figure, both of equipment and of service.

Co-operative irrigation is carried on by many thousands of associations in the arid and semi-arid regions, and there is co-operative drainage for reclaiming swamp land.

The progress of farmers in forming and expanding associations of an educational and semi-economic character has made great advances. These associations are national in their scope, or are confined to state lines or to sections within states, and are devoted to the interchange of ideas and experiences, the assembling of information for common benefit, the holding of competitive exhibitions of products, the devising of plans for the common good, and business of a like character; and are concerned with special subjects, such as horticulture, floriculture, dairying, plant breeding, live-stock breeding, poultry breeding, the scientific aspects of breeding, forestry, agricultural education, fraternal association with incidental educational and economic features, seed-breeding, agriculture, vegetable-growing under glass, and the nursery business.

Important associations of the social sort, with incidental economic features, are farmers' clubs, of which there are a great many.

Altogether the number of farmers' co-operative economic associations must be fully 75,000, and may easily be many more, with a membership rising above 3,000,000, without counting duplicates.

Contrary to his reputation, the farmer is a great organizer and he has achieved remarkable and enormous successes in many lines of economic co-operation in which the people of other occupations have made no beginning.

Economic co-operation is a feasible proposition in scores of directions, each of them making at least a small demand for wealth-saving and offering opportunity for investment. If you are engaged in encouragement, you do not wait for fellow-co-operators to come to you, but you go to them and so you are incidentally doing missionary work along lines suggested by the

question now under discussion. You may be sure that the co-operator in the successful association will not let go.

The highest form of social co-operation is the voluntary sort. All co-operators are willing, and not a minority of them unwilling as in politico-economic co-operation. Another thing in its favor is that it reacts upon its members to enlarge, or at any rate to strengthen, their individuality. It is a scheme for promoting both socialism and individualism, and it leaves and preserves the largest degree of liberty consistent with the social compact.

In the work of encouraging family wealth, as in other matters, co-operation is selective. Only the suitable ones can become co-operators and remain such. The unsuitable ones will not respond to suggestion and offers of help.

The writer was spending the summer on a farm in Virginia a few years ago, the guest of the owner of 250 acres, 150 of which were nominally improved, and producing a gross return of only \$3 or \$4 per acre. Partly because it was painful to behold such poor agriculture, and partly from friendly feelings, the services of some of the most talented practical agriculturists in the United States were enlisted to direct the farmer. They promised a gross return of say \$75 per acre within five years upon the adoption of their plans, and no doubt their promise was good, but the farmer neglected to accept the offer. He was one of the unimprovable incompetents, irresponsible to social stimulus.

If efforts in behalf of such a farmer or in behalf of your neighbor, to encourage him to add to his family wealth by suggestion, by offer of opportunity, by invitation to co-operate with you and others, are unfavorably received, let that end the matter. Nothing further can be done, unless the state takes charge of him. If it does, the state, and not he, will practically be the saver and conserver; and neither Spencer's nor Weismann's theory of heredity perceives in such procedure the creation of a transmissible habit of saving.